

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

APPLICATION OF HILCORP ENERGY COMPANY                      CASE NO. 20097  
FOR AN EXCEPTION TO THE WELL DENSITY  
REQUIREMENTS OF THE SPECIAL RULES AND  
REGULATIONS OF THE BLANCO-MESAVERDE GAS  
POOL, SAN JUAN COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 2018

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
          KEITH W. HERRMANN, LEGAL EXAMINER

This matter came on for hearing before the  
New Mexico Oil Conservation Division, Michael McMillan,  
Chief Examiner, and Keith W. Herrmann, Legal Examiner,  
on Thursday, November 15, 2018, at the New Mexico  
Energy, Minerals and Natural Resources Department,  
Wendell Chino Building, 1220 South St. Francis Drive,  
Third Floor Meeting Room, Santa Fe, New Mexico.

REPORTED BY:   Mary C. Hankins, CCR, RPR  
                  New Mexico CCR #20  
                  Paul Baca Professional Court Reporters  
                  500 4th Street, Northwest, Suite 105  
                  Albuquerque, New Mexico 87102  
                  (505) 843-9241

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# APPEARANCES

FOR APPLICANT HILCORP ENERGY COMPANY:

ADAM G. RANKIN, ESQ.  
HOLLAND & HART, LLC  
110 North Guadalupe, Suite 1  
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1 (10:17 a.m.)

2 EXAMINER McMILLAN: I would like at this  
3 time to call Case Number 20097, application of Hilcorp  
4 Energy Company for an exception to the well density  
5 requirements and other special rules and regulations of  
6 the Blanco-Mesaverde Gas Pool, San Juan County, New  
7 Mexico.

8 Call for appearances.

9 MR. RANKIN: Mr. Examiner, Adam Rankin,  
10 with the law firm of Holland & Hart, on behalf of the  
11 Applicant in this case, Hilcorp Energy Company.

12 EXAMINER McMILLAN: Any other appearances?  
13 Please proceed.

14 MR. RANKIN: Mr. Examiner, I'd like to  
15 present this case by affidavit. I've got three exhibits  
16 to present.

17 The first exhibit is Exhibit A, which  
18 reflects the affidavit of Mr. Brad Pearson. Mr. Pearson  
19 is a landman for Hilcorp. He's previously testified and  
20 had his credentials as an expert petroleum landman  
21 accepted and made a matter of record.

22 In Mr. Pearson's affidavit, he reflects  
23 that Hilcorp is requesting an exception to the  
24 Blanco-Mesaverde Gas Pool rules which limit the number  
25 of wells -- the density wells in a spacing unit -- a

1 320-acre spacing unit to four wells, two wells in a  
2 quarter section and one well in a quarter-quarter  
3 section. Their application is seeking an exception  
4 because they are proposing to recomplete a well in the  
5 Mesaverde Gas Pool in the same quarter-quarter section  
6 as an existing well.

7           The subject spacing unit is the south half  
8 of Section 26, Township 29, Range 10 West, San Juan  
9 County. There are three existing wells in that spacing  
10 unit, one of which is in Unit I, which is the Abrams L  
11 1A well. Hilcorp is seeking an exception to the well  
12 density requirements in order to recomplete the Morris  
13 Gas Com C 1E well in that same unit within that spacing  
14 unit, in Unit I. Doing so requires an exception to the  
15 well density rule.

16           Mr. Pearson, in Exhibit A1, identified the  
17 subject spacing unit in that exhibit as depicted with  
18 the red hash marks. That exhibit also reflects the  
19 three existing wells depicted in the exhibit with gray  
20 circles. The proposed recompletion is depicted with a  
21 gray triangle, and that's the Morris Gas Com C 1E well.  
22 Surrounding the spacing unit is an area outlined with a  
23 red dash mark, and that is the notice area identified by  
24 Mr. Pearson and reflects the area in which the parties  
25 are required to receive notice under the special pool

1 rules.

2 Mr. Pearson, in his exhibit affidavit,  
3 identifies the parties requiring notice in paragraph 16.

4 Exhibit A2 to Mr. Pearson's affidavit is a  
5 copy of the administrative application which was filed  
6 with the Division. Upon receipt, the Division apprised  
7 the Applicant that because they're seeking a  
8 recompletion of a well in the same quarter-quarter  
9 section, it must go to hearing. Hilcorp, the Applicant,  
10 requested this case be presented by hearing.

11 Exhibit B is a copy of the affidavit  
12 prepared by me and my law office reflecting that we have  
13 provided notice in accordance with Division rules to all  
14 the parties identified to us by Hilcorp. The second  
15 page of that exhibit is a copy of the letter that was  
16 sent out to all the notice parties. The third and  
17 fourth pages are a copy of the United States Postal  
18 Service tracking sheet reflecting that all the parties  
19 have actually received notice except for one who has  
20 requested that the post office hold their mail at that  
21 box.

22 The following pages -- the last page of  
23 that exhibit is a copy of the Affidavit of Publication  
24 reflecting that we published notice in the newspaper of  
25 the county identifying each of the notice parties by

1 name, apprising them of the application before the  
2 Division at today's hearing.

3 Again, Mr. Examiner, there are a couple  
4 of partial names that were cut off by reproduction here,  
5 and I'll provide a supplement reflecting so none of  
6 those names are cut off in Exhibit B.

7 So all parties, Mr. Examiner, were given  
8 notice of today's hearing.

9 Exhibit C -- which appears to not be  
10 included in my copy.

11 Do you have Exhibit C in yours.

12 Is yours there? I've got one, I'm sure.

13 Exhibit C is a copy of the affidavit  
14 prepared by Hilcorp's engineer, Mr. Kevin Lafferty.  
15 Mr. Lafferty has previously been -- Mr. Lafferty is a  
16 reservoir engineer for Hilcorp Energy, and his  
17 credentials as an expert petroleum reservoir engineer  
18 have been accepted now and made a matter of record by  
19 the Division.

20 Mr. Lafferty, in his affidavit, reviews his  
21 analysis of the gas reserves in the subject spacing unit  
22 and reflects in his analysis that the existing well  
23 density is insufficient to fully drain the spacing unit  
24 and, in particular, identifies the proposed recompletion  
25 as necessary to fully and effectively drain the area.

1                   Exhibit C1 is a copy of his resume and CV.

2                   Exhibit C2 is an exhibit that depicts  
3    Section 26 in this township, identifies by the red  
4    circle the subject proposed recompletion, as well as  
5    existing wells in the Blanco-Mesaverde Pool and reflects  
6    his analysis that the proposed recompletion will help  
7    drain the spacing unit to the southwest.

8                   Exhibit C3 is a graphical depiction of his  
9    volumetric analysis. The first page is their  
10   calculation of the original gas in place in the subject  
11   pool. The second page is a copy of their graphical  
12   analysis of the cumulative gas production in the pool,  
13   and the third page of that exhibit is a graphical  
14   depiction of their calculated remaining gas in place.

15                  In each page of this exhibit, the red star  
16   depicts the location of the subject recompletion and  
17   reflects that there is substantial gas remaining in  
18   place undrained by the existing well density.

19                  Exhibit C4 is a copy of his numerical  
20   calculations reflecting that the recovery factors under  
21   the existing well density in the spacing unit have been  
22   insufficient to drain the spacing unit based on his --  
23   based on his -- in his opinion, a reservoir of this type  
24   is expected, you know, to have a recovery factor in the  
25   range of 70 to 80 percent. The current drainage in the

1 area is on the order of 15 to 17 percent, as depicted in  
2 the exhibit. Based on that analysis and Mr. Lafferty's  
3 affidavit, he indicates that the subject proposed  
4 recompletion is necessary to fully and adequately -- or  
5 more fully and adequately drain the reservoir, and he  
6 testifies that, in his opinion, it's necessary to fully  
7 and adequately drain the reserves in the area.

8 With that, Mr. Examiner, I would move the  
9 admission of Exhibits A, B and C into the record, and  
10 with the supplementation of Exhibit B, the Notice of  
11 Publication, I ask that the Division take Case Number  
12 20097 under advisement.

13 EXAMINER McMILLAN: Okay. Exhibits A, B  
14 and C may now be accepted as part of the record, and  
15 Case Number 20097 shall be taken under advisement.

16 MR. RANKIN: Thank you, Mr. Examiner.

17 (Hilcorp Energy Company Exhibit Letters A,  
18 B and C are offered and admitted into  
19 evidence.)

20 EXAMINER McMILLAN: Let's come back at  
21 10:30. We're going to hear the HPPC case, 16455.

22 (Case Number 20097 concludes, 10:27 a.m.)

23 (Recess, 10:27 a.m. to 10:32 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
8 that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings that  
11 were reduced to printed form by me to the best of my  
12 ability.

13 I FURTHER CERTIFY that the Reporter's  
14 Record of the proceedings truly and accurately reflects  
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.

20 DATED THIS 18th day of December 2018.

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22

23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

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